

Adopted	Rejected
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## COMMITTEE REPORT

YES:	11
NO:	0

### MR. SPEAKER:

*Your Committee on* **Agriculture and Rural Development**, to which was referred  
Senate Bill 467, has had the same under consideration and begs leave to report the same  
back to the House with the recommendation that said bill **be amended** as follows:

1       Page 1, between the enacting clause and line 1, begin a new  
2       paragraph and insert:  
3       "SECTION 1. IC 8-1-2-23 IS AMENDED TO READ AS  
4       FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 23. (a) The commission  
5       shall keep itself informed of all new construction, extensions and  
6       additions to the property of such public utility and shall prescribe the  
7       necessary forms, regulations and instructions to the officers and  
8       employees of such public utility for the keeping of construction  
9       accounts which shall clearly distinguish all operating expenses and new  
10      construction. Unless a public utility shall obtain the approval by the  
11      commission of any expenditure exceeding ten thousand dollars  
12      (\$10,000) for an extension, construction, addition or improvement of  
13      its plant and equipment, the commission shall not, in any proceeding  
14      involving the rates of such utility, consider the property acquired by  
15      such expenditures as a part of the rate base, unless in such proceeding

the **public** utility shall show that such property is in fact used and useful in the public service; provided, that the commission in its discretion may authorize the expenditure for such purpose of a less amount than shown in such estimate.

**(b) For purposes of subsection (a), the construction, addition, extension, or improvement of a public utility's plant or equipment to provide electric or gas service to a customer of the public utility that produces biodiesel, ethanol, or any other biofuel is in fact used and useful in the public service.**

**(c) This subsection applies to a public utility's general rate proceeding that immediately follows the public utility's investment in a construction, an addition, an extension, or an improvement described in subsection (b). The public utility may accrue for recovery in the rate proceeding a return on the public utility's investment, beginning on the date the public utility initially records the investment in the public utility's books or records, as determined by the commission, at the rate of return authorized by the commission in the public utility's general rate proceeding immediately preceding the investment.**

SECTION 2. IC 8-1-8.4 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]:

#### **Chapter 8.4. Electric Line Facilities Projects**

**Sec. 1. As used in this chapter, "commission" refers to the Indiana utility regulatory commission created by IC 8-1-1-2.**

**Sec. 2. As used in this chapter, "electric line facilities" means the following:**

- (1) Overhead or underground electric transmission lines.**
- (2) Overhead or underground electric distribution lines.**
- (3) Electric substations.**
- (4) Overhead or underground telecommunications line facilities associated with an item listed in subdivisions (1) through (3).**

**Sec. 3. As used in this chapter, "electric line facilities project" means the construction, operation, maintenance, reconstruction, relocation, addition to, upgrading of, or removal of electric line facilities.**

**Sec. 4. As used in this chapter, "electricity supplier" means a**

1 public utility that furnishes retail electric service to the public.

2 Sec. 5. As used in this chapter, "public utility" has the meaning  
3 set forth in IC 8-1-2-1.

4 Sec. 6. As used in this chapter, "regional transmission  
5 organization" refers to the regional transmission organization  
6 approved by the Federal Energy Regulatory Commission for the  
7 control area in which an electricity supplier operates electric line  
8 facilities.

9 Sec. 7. The commission shall encourage electric line facilities  
10 projects by creating the following financial incentives for electric  
11 line facilities that are reasonable and necessary:

12 (1) The timely recovery of costs incurred by an electricity  
13 supplier in an electric line facilities project.

14 (2) The timely recovery of costs, by means of a periodic rate  
15 adjustment mechanism, incurred by an electricity supplier  
16 taking service under a tariff of, or being assessed costs by, a  
17 regional transmission organization.

18 Sec. 8. (a) An electricity supplier must submit an application to  
19 the commission for approval of an electric line facilities project for  
20 which the electricity supplier seeks to receive a financial incentive  
21 created under section 7 of this chapter.

22 (b) The commission shall prescribe the form for an application  
23 submitted under this section.

24 (c) Upon receipt of an application under subsection (a), the  
25 commission shall review the application for completeness. The  
26 commission may request additional information from an applicant  
27 as needed.

28 (d) The commission shall, after notice and hearing, issue a  
29 determination of an electric line facilities project's eligibility for  
30 the financial incentives described in section 7 of this chapter not  
31 later than one hundred eighty (180) days after the date of the  
32 application.

33 (e) Subject to subsection (g), the commission shall approve an  
34 application by an electricity supplier for an electric line facilities  
35 project that is reasonable and necessary. An electric line facilities  
36 project is presumed to be reasonable and necessary if the electric  
37 line facilities project is consistent with, or part of, a plan developed  
38 by the regional transmission organization.

(f) This section does not relieve an electricity supplier of the duty to obtain any certificate required under IC 8-1-8.5 or IC 8-1-8.7.

(g) The commission shall not approve a financial incentive for that part of an electric line facilities project that exceeds the lesser of:

(1) five percent (5%) of the electricity supplier's rate base approved by the commission in the electricity supplier's most recent general rate proceeding; or

(2) one hundred million dollars (\$100,000,000).

SECTION 3. IC 8-1-31-1.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: **Sec. 1.5. As used in this chapter, "distribution" means, for purposes of distributing electricity, the distribution of electric power to retail customers or end users by means of low voltage electric lines.**

SECTION 4. IC 8-1-31-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: **Sec. 5. As used in this chapter, "eligible distribution system improvements" means new used and useful ~~water~~ public utility plant projects that:**

(1) do not increase revenues by connecting the distribution system to new customers;

(2) are in service; and

(3) were not included in the public utility's rate base in its most recent general rate case.

SECTION 5. IC 8-1-31-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: **Sec. 7. As used in this chapter, "public utility" means a:**

(1) public utility (as defined in IC 8-1-2-1(a)); or

(2) municipally owned utility (as defined in IC 8-1-2-1(h));

**that produces, transmits, delivers, or furnishes water, gas, electricity, or steam.**

SECTION 6. IC 8-1-31-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: **Sec. 8. (a) Except as provided in subsection (d), a public utility ~~providing water service~~ may file with the commission rate schedules establishing a DSIC that will allow the automatic adjustment of the public utility's basic rates and charges to provide for recovery of DSIC costs.**

(b) The public utility shall serve the office of the utility consumer counselor a copy of its filing at the time of its filing with the commission.

(c) Publication of notice of the filing is not required.

(d) A public utility may not file a petition under this section in the same calendar year in which the public utility has filed a request for a general increase in the basic rates and charges of the public utility.

SECTION 7. IC 8-1-31-13 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 13. The commission may not approve a DSIC:

(1) to the extent it would produce total DSIC revenues exceeding five percent (5%) of the public utility's base revenue level approved by the commission in the public utility's most recent general rate proceeding; **or**

**(2) if the cost of the associated eligible distribution system improvements exceeds fifty million dollars (\$50,000,000).**

SECTION 8. IC 8-1-35 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]:

#### **Chapter 35. Renewable Energy Development**

**Sec. 1. As used in this chapter, "electricity supplier" means a public utility (as defined in IC 8-1-2-1) that furnishes retail electric service to the public. The term does not include a public utility that is:**

- (1) a municipally owned utility (as defined in IC 8-1-2-1(h));**
- (2) a corporation organized under IC 8-1-13; or**
- (3) a corporation organized under IC 23-17-1 that is an electric cooperative and that has at least one (1) member that is a corporation organized under IC 8-1-13.**

**Sec. 2. As used in this chapter, "fund" refers to the renewable energy resources fund established by section 8 of this chapter.**

**Sec. 3. As used in this chapter, "regional transmission organization" refers to a regional transmission organization approved by the Federal Energy Regulatory Commission for the geographic area in which an electricity supplier's assigned service area (as defined in IC 8-1-2.3-2) is located.**

**Sec. 4. As used in this chapter, "renewable energy credit", or "REC", means one (1) megawatt hour of electricity generated by**

renewable energy resources that is:

(1) quantifiable; and

(2) possessed by not more than one (1) entity at a time.

Sec. 5. (a) As used in this chapter, "renewable energy resources" includes the following sources for the production of electricity:

(1) Dedicated crops grown for energy production.

(2) Methane systems that convert waste products, including animal, food, and plant waste, into electricity.

(3) Methane recovered from landfills.

(4) Wind.

(5) Hydropower, other than hydropower involving the construction of new dams or the expansion of existing dams.

(6) Solar photovoltaic cells and panels.

(7) Fuel cells that directly convert chemical energy in a hydrogen rich fuel into electricity.

(8) Sawmill waste, other than waste derived from virgin timber.

(9) Agricultural crop waste.

(10) Waste coal.

(11) Clean coal and energy projects (as defined in IC 8-1-8.8-2).

(12) Combined heat and power systems that:

(A) use natural gas or renewable energy resources as feedstock; and

(B) achieve at least seventy percent (70%) overall efficiency.

(13) Demand side management or efficiency programs that reduce electricity consumption or implement load management or demand response technologies that shift electric load from periods of higher demand to periods of lower demand, including the following:

(A) Home weatherization.

(B) Appliance efficiency modifications and replacements.

(C) Lighting efficiency modifications.

(D) Heating and air conditioning modifications or replacements.

(b) The term does not include energy from the incineration, burning, or heating of the following:

- (1) Tires.
- (2) Garbage.
- (3) General household, institutional, or commercial waste.
- (4) Industrial lunchroom or office waste.
- (5) Landscape waste.
- (6) Construction or demolition debris.
- (7) Feedstock that is municipal, food, plant, industrial, or animal waste from outside Indiana.

**Sec. 6. (a) Each electricity supplier shall supply electricity generated by renewable energy resources to Indiana customers as a percentage of the total electricity supplied by the electricity supplier to Indiana customers as follows:**

- (1) In 2009, at least one percent (1%).
- (2) In 2010, at least two percent (2%).
- (3) In 2011, at least three percent (3%).
- (4) In 2012, at least four percent (4%).
- (5) In 2013, at least five percent (5%).
- (6) In 2014, at least six percent (6%).
- (7) In 2015, at least seven percent (7%).
- (8) In 2016 and thereafter, at least eight percent (8%).

**For purposes of this subsection, electricity is measured in megawatt hours.**

**(b) An electricity supplier may use:**

- (1) a renewable energy resource described in section 5(a)(10) of this chapter;
- (2) a renewable energy resource described in section 5(a)(11) of this chapter; or
- (3) a combination of renewable energy resources described in section 5(a)(10) or 5(a)(11) of this chapter;

**to generate not more than twenty percent (20%) of the electricity that the electricity supplier is required to supply under subsection (a).**

**(c) An electricity supplier may not use a renewable energy resource described in section 5(a)(12) of this chapter to generate more than ten percent (10%) of the electricity that the electricity supplier is required to supply under subsection (a).**

**(d) An electricity supplier may use a renewable energy resource described in section 5(a)(13) of this chapter each to generate not**

1 more than ten percent (10%) of the electricity that the electricity  
2 supplier is required to supply under subsection (a).

3 (e) An electricity supplier may own or purchase RECs to comply  
4 with subsection (a).

5 (f) If an electricity supplier exceeds the applicable percentage  
6 under subsection (a) in a compliance year, the electricity supplier  
7 may carry forward the amount of electricity that:

8 (1) exceeds the applicable percentage under subsection (a);

9 and

10 (2) is generated by renewable resources in an Indiana facility;  
11 to comply with the requirement under subsection (a) for either or  
12 both of the two (2) immediately succeeding compliance years.

13 (g) An electricity supplier that fails to comply with subsection  
14 (a) shall deposit in the fund established by section 8 of this chapter  
15 an amount equal to:

16 (1) the number of megawatt hours of electricity that the  
17 electricity supplier was required to but failed to supply under  
18 subsection (a); multiplied by

19 (2) fifty dollars (\$50).

20 (h) An electricity supplier is not required to comply with  
21 subsection (a) if the commission determines that the electricity  
22 supplier has demonstrated that:

23 (1) renewable energy resources or RECs are not available to  
24 the electricity supplier in sufficient quantities to allow the  
25 electricity supplier to comply with subsection (a); or

26 (2) the cost of renewable energy resources available to the  
27 electricity supplier would result in an unreasonable increase  
28 in the basic rates and charges for electricity supplied to  
29 customers of the electricity supplier if the electricity supplier  
30 complied with subsection (a).

31 The commission shall conduct a public hearing to make a  
32 determination under this subsection.

33 (i) If the commission determines under subsection (h) that  
34 adequate renewable energy resources are not available or that the  
35 cost of available renewable energy resources is not reasonable, the  
36 commission shall:

37 (1) reduce or eliminate the affected electricity supplier's  
38 obligations under subsection (a) as appropriate; and



(2) review its determination not more than twelve (12) months after the reduction or elimination under subdivision (1) takes effect.

(j) The commission shall allow an electricity supplier to recover reasonable and necessary costs incurred in:

(1) constructing, operating, or maintaining facilities to comply with this chapter; or

(2) generating electricity from, or purchasing electricity generated from, a renewable resource;

by a periodic rate adjustment mechanism.

Sec. 7. (a) For purposes of calculating RECs to determine an electricity supplier's compliance with section 6(a) of this chapter, the following apply:

(1) One (1) megawatt hour of electricity generated by renewable energy resources in an Indiana facility equals one (1) REC.

(2) One (1) megawatt hour of electricity generated by a renewable energy resource described in section 5(a)(2), 5(a)(3), or 5(a)(4) of this chapter that originates in Indiana equals one and three-tenths (1.3) RECs.

(3) One (1) megawatt hour of electricity that is:

(A) generated by a renewable energy resource in the territory of a regional transmission organization; and

(B) imported into Indiana;

equals five-tenths (0.5) REC.

(4) One (1) megawatt hour of electricity that is generated by a renewable energy resource described in section 5(a)(12) of this chapter in Indiana equals five-tenths (0.5) REC.

(b) Electricity generated by any source outside the territory of a regional transmission organization may not be considered for purposes of calculating an REC to determine an electricity supplier's compliance with section 6(a) of this chapter.

(c) An electricity supplier may satisfy not more than ten percent (10%) of the electricity supplier's requirement under section 6(a) of this chapter by owning or purchasing RECs calculated under subsection (a)(4).

(d) An electricity supplier may calculate only one (1) REC for each megawatt hour of electricity.

1       **Sec. 8. (a) The renewable energy resources fund is established**  
 2       **to:**

3               **(1) support the development, construction, and use of**  
 4               **renewable energy resources, including small scale renewable**  
 5               **energy resources, in rural and urban Indiana; and**

6               **(2) reimburse the Indiana economic development corporation**  
 7               **and the commission for expenses incurred under section 9 of**  
 8               **this chapter.**

9       **(b) The fund consists of the following:**

10               **(1) Money deposited under section 6(g) of this chapter.**

11               **(2) Money from any other source that is deposited in the fund.**

12       **(c) The Indiana economic development corporation shall**  
 13       **administer the fund.**

14       **(d) The expenses of administering the fund shall be paid from**  
 15       **money in the fund.**

16       **(e) The treasurer of state shall invest the money in the fund not**  
 17       **currently needed to meet the obligations of the fund in the same**  
 18       **manner as other public money may be invested. Interest that**  
 19       **accrues from these investments shall be deposited in the fund.**

20       **(f) Money in the fund at the end of a state fiscal year does not**  
 21       **revert to the state general fund.**

22       **Sec. 9. (a) This section applies if there is sufficient money in the**  
 23       **fund established by section 8 of this chapter to reimburse the**  
 24       **Indiana economic development corporation and the commission**  
 25       **for expenses incurred under subsection (b).**

26       **(b) The Indiana economic development corporation, in**  
 27       **consultation with the commission, shall develop a strategy to**  
 28       **attract renewable energy manufacturing facilities, including wind**  
 29       **turbine component manufacturers, to Indiana.**

30       **Sec. 10. Beginning in 2011, and not later than March 1 of each**  
 31       **year, a utility shall file with the commission a report of the utility's**  
 32       **compliance with this chapter for the preceding calendar year.**

33       **Sec. 11. The commission shall adopt rules under IC 4-22-2 to**  
 34       **implement this chapter."**

35       Page 1, delete lines 5 through 8, begin a new paragraph and insert:

36       "SECTION 10. IC 16-44-2-1.5 IS ADDED TO THE INDIANA  
 37       CODE AS A NEW SECTION TO READ AS FOLLOWS  
 38       [EFFECTIVE JULY 1, 2007]: **Sec. 1.5. As used in this chapter,**

- 1       **"gasoline-ethanol blend" means a fuel that is:".**
- 2       Page 2, line 14, delete "Ethanol." and insert "**Gasoline-ethanol**
- 3       **blend."**
- 4       Page 2, line 28, delete "ethanol," and insert "**gasoline-ethanol**
- 5       **blend,".**
- 6       Page 2, line 34, after "Gasoline" insert ", **gasoline-ethanol blend,".**
- 7       Page 2, line 40, delete "ethanol," and insert "**gasoline-ethanol**
- 8       **blend,".**
- 9       Page 3, line 1, after "Gasoline" insert ", **gasoline-ethanol blend,".**
- 10      Page 3, line 3, after "gasoline" insert ", **gasoline-ethanol blend,".**
- 11      Page 3, line 7, after "gasoline" insert ", **gasoline-ethanol blend,".**
- 12      Page 3, line 11, delete "ethanol," and insert "**gasoline-ethanol**
- 13      **blend,".**
- 14      Page 3, line 12, delete "ethanol," and insert "**gasoline-ethanol**
- 15      **blend,".**
- 16      Page 3, line 16, delete "ethanol," and insert "**gasoline-ethanol**
- 17      **blend,".**
- 18      Page 3, line 17, delete "ethanol," and insert "**gasoline-ethanol**
- 19      **blend,".**
- 20      Page 3, line 20, delete "ethanol," and insert "**gasoline-ethanol**
- 21      **blend,".**
- 22      Page 3, line 27, delete "ethanol," and insert "**gasoline-ethanol**
- 23      **blends,".**
- 24      Page 4, line 40, delete "Ethanol:" and insert "**Gasoline-ethanol**
- 25      **blends:".**
- 26      Page 4, line 41, delete "All" and insert "**One (1)"**."
- 27      Page 5, line 1, delete "ethanol" and insert "**the gasoline-ethanol**
- 28      **blend"**."
- 29      Page 5, line 3, delete "ethanol" and insert "**gasoline-ethanol blend"**."
- 30      Page 5, line 5, delete "ethanol" and insert "**the gasoline-ethanol**
- 31      **blend"**."
- 32      Page 5, line 8, delete "ethanol" and insert "**gasoline-ethanol blend"**."
- 33      Page 5, line 11, delete "ethanol" and insert "**the gasoline-ethanol**
- 34      **blend"**."
- 35      Page 5, line 15, delete "ethanol" and insert "**the gasoline-ethanol**
- 36      **blend"**."
- 37      Page 5, line 17, delete "Ethanol" and insert "**A gasoline-ethanol**

1       **blend**".

2       Page 5, line 20, delete "Ethanol" and insert "**A gasoline-ethanol**

3       **blend**".

4       Page 5, line 24, delete "ethanol," and insert "**a gasoline-ethanol**

5       **blend**".

6       Page 5, line 33, delete "ethanol," and insert "**gasoline-ethanol**

7       **blends**".

8       Page 5, line 36, delete "ethanol," and insert "**gasoline-ethanol**

9       **blends**".

10      Page 6, line 12, delete "ethanol," and insert "**gasoline-ethanol**

11      **blend**".

12      Page 6, line 15, delete "ethanol," and insert "**gasoline-ethanol**

13      **blend**".

14      Page 6, line 20, delete "ethanol," and insert "**gasoline-ethanol**

15      **blend**".

16      Page 6, line 22, delete "ethanol," and insert "**gasoline-ethanol**

17      **blend**".

18      Page 6, line 23, delete "ethanol," and insert "**gasoline-ethanol**

19      **blend**".

20      Page 6, line 25, delete "ethanol," and insert "**gasoline-ethanol**

21      **blend**".

22      Page 6, line 27, delete "ethanol," and insert "**gasoline-ethanol**

23      **blend**".

24      Page 6, line 30, delete "ethanol," and insert "**gasoline-ethanol**

25      **blend**".

26      Page 6, line 32, delete "ethanol," and insert "**gasoline-ethanol**

27      **blend**".

28      Page 6, line 33, delete "ethanol," and insert "**gasoline-ethanol**

29      **blend**".

30      Page 6, line 35, delete "ethanol," and insert "**gasoline-ethanol**

31      **blend**".

32      Page 6, line 42, delete "ethanol," and insert "**gasoline-ethanol**

33      **blend**".

34      Page 7, line 11, delete "ethanol," and insert "**gasoline-ethanol**

35      **blend**".

36      Page 7, after line 13, begin a new paragraph and insert:

37      "SECTION 21. [EFFECTIVE JULY 1, 2007] **Not later than April**

1       **1, 2013, the Indiana utility regulatory commission shall submit a**  
2       **report in an electronic format under IC 5-14-6 to the general**  
3       **assembly. A report submitted under this SECTION must include:**  
4               **(1) an analysis of; and**  
5               **(2) any legislative proposals the commission believes would**  
6               **increase;**  
7       **the effectiveness of and industry compliance with IC 8-1-35, as**  
8       **added by this act.**  
9       **SECTION 22. An emergency is declared for this act."**  
10       Renumber all SECTIONS consecutively.  
          (Reference is to SB 467 as reprinted February 21, 2007.)

**and when so amended that said bill do pass.**

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Representative Pflum